



CURRENCY

Committee on Financial Services

Michael G. Oxley, Chairman

**For Immediate Release:
Friday, March 16, 2001**

Contact: Peggy Peterson at 226-0471

Housing Subcommittee to Examine Health of FHA Insurance Fund

The Housing and Community Opportunity Subcommittee will meet Tuesday, March 20 at 2 p.m. in room 2128 Rayburn House Office Building to examine a General Accounting Office (GAO) report on the financial health of the Federal Housing Administration's (FHA) Single-Family Mutual Mortgage Insurance Fund.

"This is the first of a series of hearings I expect to conduct during this session to assess the current housing and mortgage finance market/infrastructure and determine an appropriate legislative remedy," said Housing Subcommittee Chair Marge Roukema. "Since its creation in the 1930s, the FHA single family program has been the cornerstone of homeownership programs in this country, and this hearing will review its financial health and vibrancy to ensure future generations an opportunity to pursue the American dream."

The Mutual Mortgage Insurance Fund is a mutual fund financed by premiums and proceeds from the sale of FHA properties. The fund is required by Congress to maintain a capital reserve ratio of 2 percent. The Housing and Urban Development Department reported in early 2000 that the fund had a capital reserve ratio of 3.66 percent and began pursuing proposals for new spending with what it perceived as available surplus funds.

The Subcommittee will hear from witnesses on the current state of the insurance fund, and the appropriate level of capital reserves the fund would need to weather a variety of economic conditions.

The GAO report was requested by the Housing and Community Opportunity Subcommittee in 1998. Submitted to Congress last month, the report concludes that the funds capital reserve ratio is adequate to protect the fund under all but "very severe economic conditions." The Subcommittee will review that finding and determine whether Congress agrees or if further safeguards are needed.

Witnesses scheduled to testify are:

- Thomas J. McCool, Managing Director, Financial Markets and Community Investment, General Accounting Office
- Susan Gaffney, Inspector General, U.S. Department of Housing and Urban Development
- Marvin Phaup, Deputy Assistant Director, Congressional Budget Office

#####